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annual report '72

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Turbo RESOURCES LIMITED

Turbo RESOURCES LIMITED

Directors

Vance Kenneth Travis, chairman of the board, Calgary
Robert G. Brawn, Calgary
Robert J. Williams, Calgary
John W. Killick, Calgary
Albert P. Ingeberg, Calgary
Gerald Brawn, Calgary
Jack C. Donald, Red Deer
John F. Moore, Calgary

Officers

Robert G. Brawn, president
Jack C. Donald, vice-president marketing
Barry R. Schneider, vice-president manufacturing
John W. Killick, secretary-treasurer

Head Office

901 - 8th Ave. S.W., Calgary, Alberta, Canada T2P 1J1

Bank

Canadian Imperial Bank of Commerce, Main Branch, 309 - 8th Ave. S.W., Calgary

Auditors

Gardner, McDonald & Co.
Chartered Accountants, Calgary

Solicitors

Howard, Moore, Dixon, Mackie & Forsyth, Calgary
Beames, Chapman, Foster, McAfee, Red Deer
Cormie, Kennedy, Edmonton

Registrars and Transfer Agents

Guaranty Trust Company of Canada
311 - 8th Ave. S.W., Calgary, Alberta .T2P 1C7
and
Guaranty Trust Company of Canada
88 University Ave., Toronto 1, Ontario

Stock Exchanges

Calgary Stock Exchange, Calgary
Toronto Stock Exchange, Toronto

Contents

Annual Meeting of Shareholders

The annual meeting of shareholders will be held on Wednesday, July 5, 1972 at 2:00 p.m. in the Calgary Inn in the City of Calgary, Alberta, Canada

Turbo RESOURCES LIMITED

HIGHLIGHTS

	1972	1971
Sales	$8,341,324	$1,130,814
Net Income	273,850	18,738
per share	7.7¢	1.5¢
Cash flow	392,005	31,352
per share	11.0¢	2.5¢
Current assets	1,186,038	582,347
Fixed assets (net)	2,018,110	719,089
Shareholders' equity	1,232,925	457,392

Turbo wholly-owned subsidiaries & businesses:

- Turbo Refineries Ltd.
- Turbo Chemicals Ltd.
- C.C. Snowdon Ltd.
- Stop-N-Save Petroleums Ltd.
- Pay-N-Save Petroleums Ltd.
- Parkland Oil Products Ltd.
- Freeway Transport Ltd.
- Peerless Chemicals
- Velvet Oil Company

At Left, John W. Killick, director and secretary treasurer. Right, John F. Moore, director and a senior partner in Howard, Moore, Dixon, Mackie and Forsyth.

Robert J. Williams, director and development consultant and Jack C. Donald, director and marketing vice-president.

Albert P. Ingeberg, director and general manager of C. C. Snowdon Ltd. and Gerald Brawn, director and assistant to the president.

The accomplishments outlined in this report give credibility to the planning and direction provided by Vance Kenneth Travis (left), chairman of the board, and Robert G. Brawn, president, long-time colleagues who reunited 18 months ago to build this new and vibrant organization.

REPORT TO SHAREHOLDERS

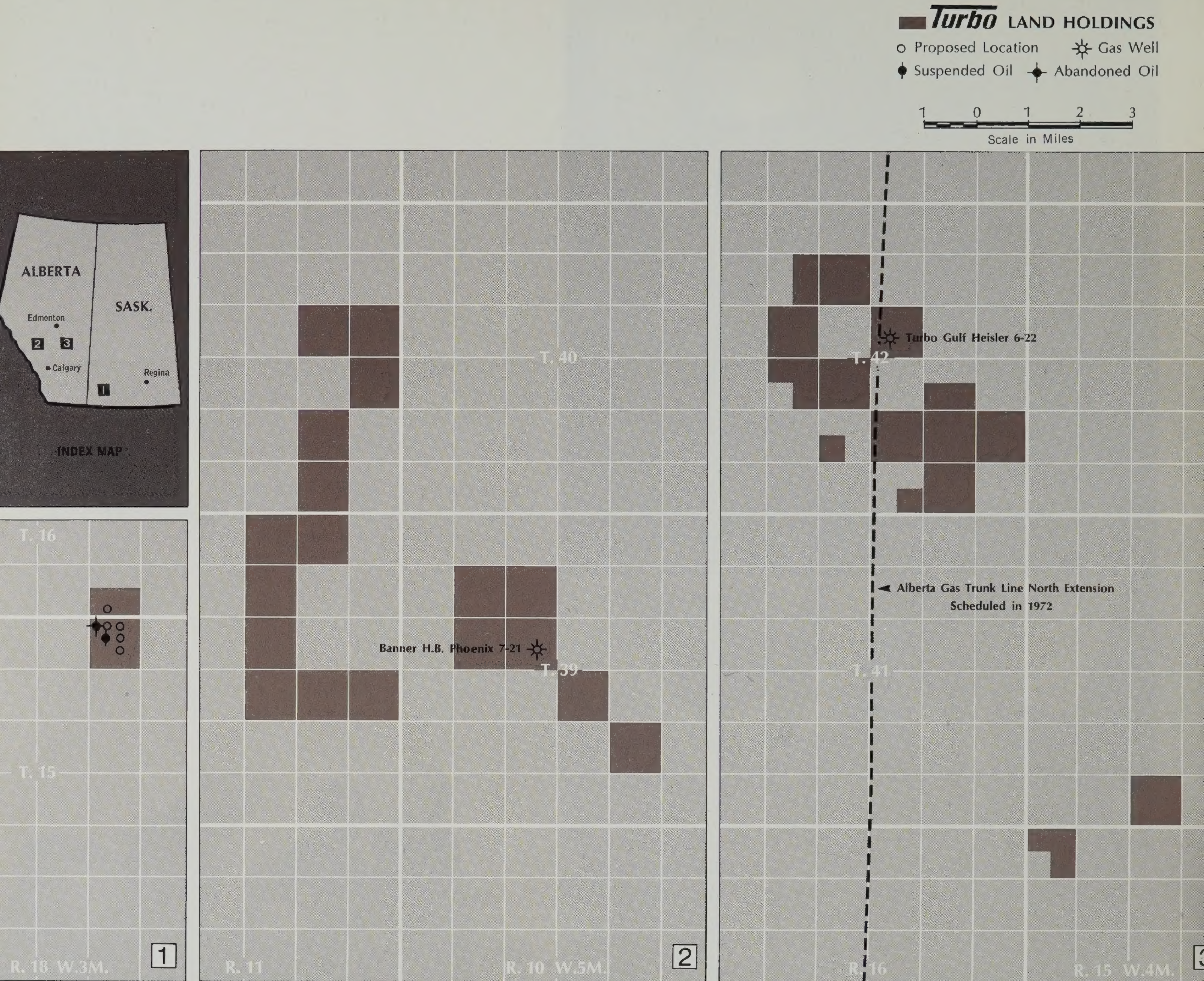
Last year marked the start of a dynamic growth pattern for Turbo Resources Limited. As illustrated on the front cover, sales rose from $1,130,814 to $8,341,324. As well, profits rose from $18,738 to $273, 850 which represented an increase from 1.5¢ per share to 7.7¢ per share. Cash flow per share for the year was 11.0¢.

Good planning and ambitious effort have allowed Turbo Resources Limited to seize the opportunities which exist for extraordinary success. The company plans to further its efforts in building a strong, growing oil company, complete with exploration, production, manufacturing, marketing, transportation and real estate. The mettle of the company personnel has already been proven and growth in value is expected.

On Behalf of the Board of Directors

Vance Kenneth Travis
Chairman of the Board

Robert G. Brawn
President



ANTELOPE LAKE PROSPECT

SASKATCHEWAN

Acres	Percentage
960	15%

PHOENIX PROSPECT

ALBERTA

Acres	Percentage
1280	2.656%
10,240	2.156%

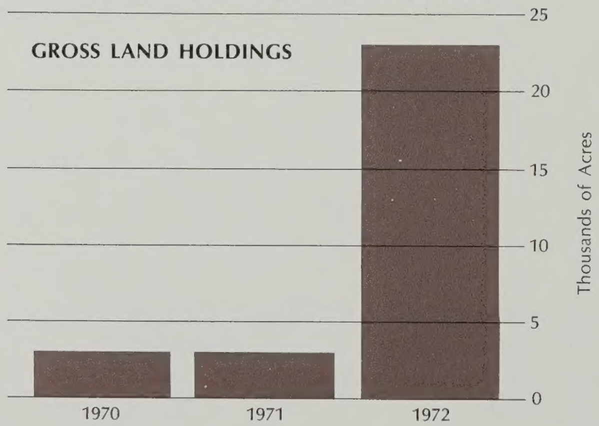
Well to 115% of Payout 4.400%

FORESTBURG PROSPECT

ALBERTA

Acres	Percentage
5760	63.33%
640	74.67%
1280	77.50%

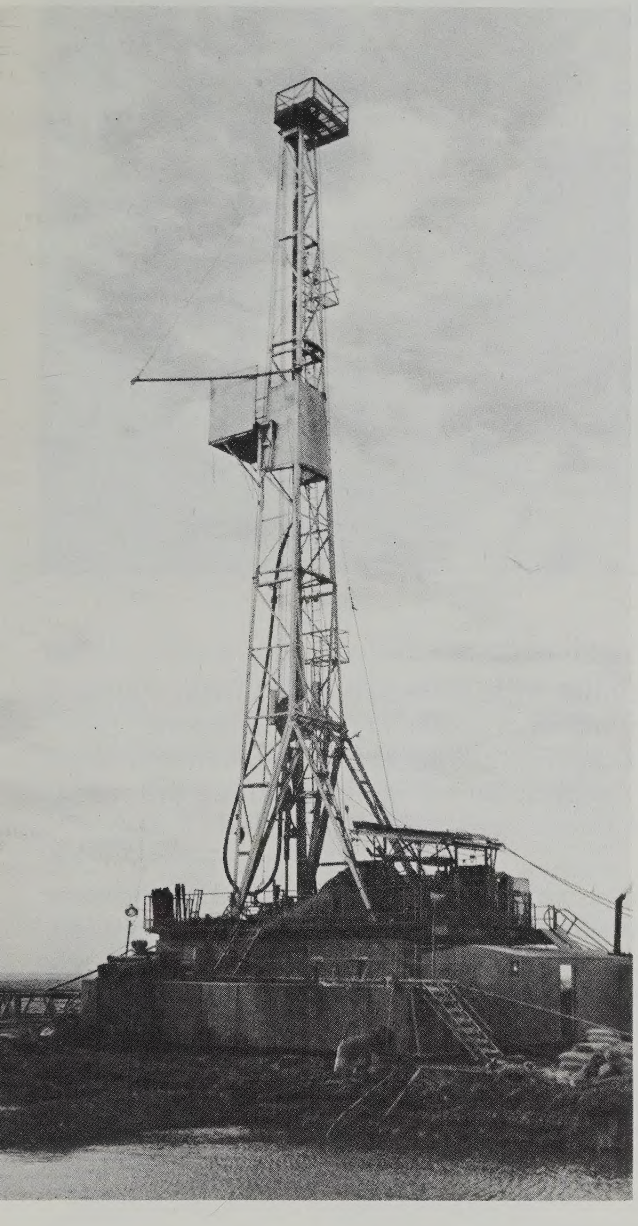
Turbo Resources Limited (Consolidated)



EXPLORATION & PRODUCTION

Oil exploration and production represented only a small portion of Turbo's sales for last year, but considerably more attention is being paid to this field and several important developments are anticipated. Turbo's technique will be to buy reserves wherever possible, take drilling interests in exploration or development plays and to acquire frontier acreage for future development. Turbo expects this procedure to greatly increase the proven reserves of petroleum and natural gas while still placing Turbo in areas where exciting new finds may be made.

Turbo filed on more than 200,000 acres in the Arctic Islands prior to the Canadian government's recent interruption in issuing additional permits. The status of this application is presently being determined. The company also has a 10% interest in 2,400 acres, on the south shore of Lesser Slave Lake, approximately 15 miles north of the Swan Hills Oilfield.



Oil

In September, 1971 Turbo, as 25% partner, drilled a well in LSD 11, Sec. 35, Twp. 15, Range 18, W3 in Southwestern Saskatchewan. The well flowed 1,120 feet of clean oil and 270 feet of salt water on a 60-minute drillstem test. Casing was run and the well completed. Initial production tests showed high water cuts and the well was suspended for further evaluation. A step-out well is to be drilled in LSD 15 in June, 1972. An evaluation of the prospect by Harry L. Taylor, P. Geol., dated February 1972 states the undiscounted net profit of possible reserves to Lariat Oil & Gas Ltd. would be $824,000 on a capital investment of $83,000. Turbo's interest is identical to Lariat's.

The company also has a 15% interest in Pamoil Chigwell 10-3-41-25-W4.

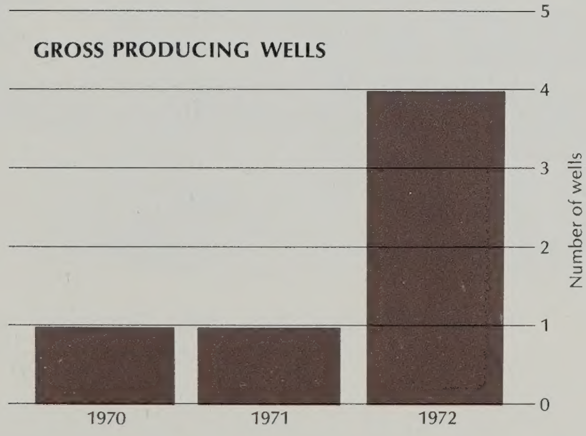
Gas Condensate

The company acquired a 4.40% net interest in Banner H.B. 7-21-39-10-W5 in West Central Alberta. A gas plant was built last fall and the well brought on stream in January, 1972. The following production has been recorded:

	Net		Turbo Interest	
	Gas	Condensate	Gas	Condensate
February/72	22.68 Mmcf	10,155 bbl.	0.998 Mmcf	447 bbl.
March/72	56.729 Mmcf	8,940 bbl.	2.496 Mmcf	393 bbl.

Gross revenues are expected to exceed $1,000 monthly from this well for the next few years. Turbo has only a small interest in this well, but further drilling is possible and greater results from this area, after analysis of initial production, are anticipated.

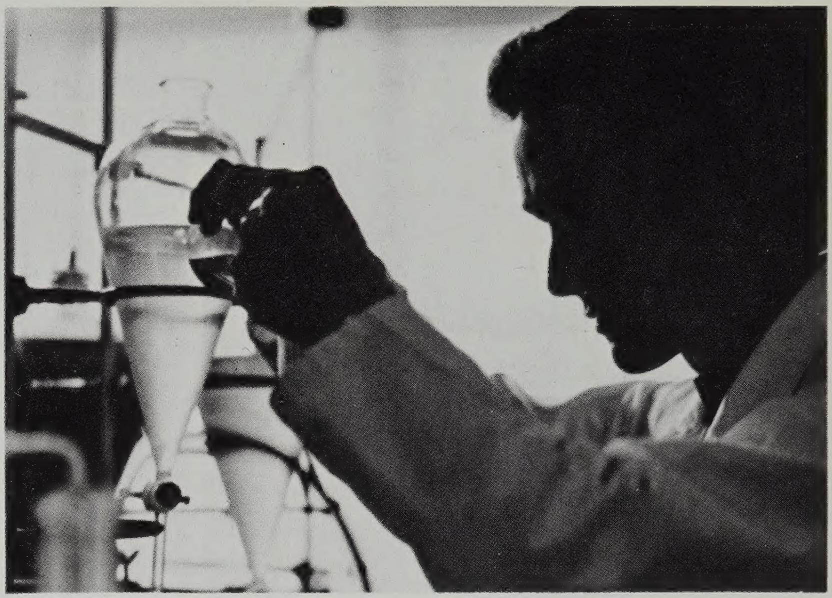
Turbo Resources Limited (Consolidated)



Gas

During 1972 Turbo acquired a dual zone (Basal Quartz and Glauconitic) gas well located on LSD 6, Sec. 22, Twp. 42, Range 16, W4 and 7,680 acres of surrounding petroleum and natural gas leases. Turbo has interests varying from 63.33% to 77.5% in this well and leases. The well has a productivity of 11.435 million cubic feet per day, reserves of 6.813 billion cubic feet at an initial producing pressure of 664 psia. Using a four-section spacing and 6% discount factor the well has a present worth to the company of approximately $235,000.

The Alberta Gas Trunk Line is constructing a new lateral within 200 feet of Turbo's well and production revenue is expected before the end of 1972. Additional locations are being planned in this area.



Manufacturing facilities were increased substantially during last year with completion of a new 12,000 square foot warehouse, a 4,000 square foot packaging installation and a 1,000 square foot chemical blending plant. During the year a new high pressure steam plant was also installed.

These new facilities enabled Turbo Refineries Ltd. to increase its sales of manufactured products by 32%. The addition of several large national accounts for custom packaging will help to push manufacturing sales higher in the years ahead.

Turbo's desire to improve its technology has led to research into new processes as well as new products. Several breakthroughs have resulted:

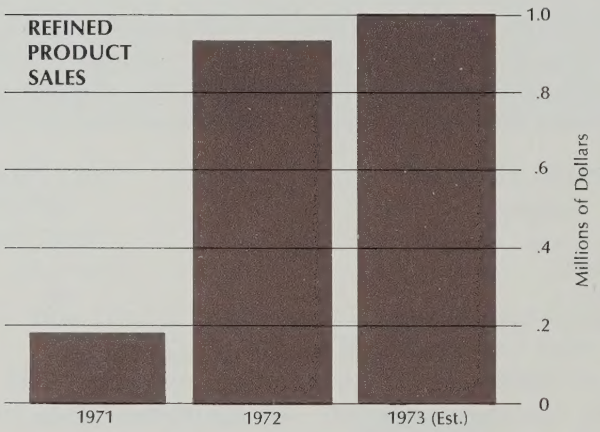
(1) A process to make emulsion asphalt from refinery acid wastes.

(2) A chemical agent to remove noxious process gases.

(3) A new pilot plant to recycle lubricants which would increase efficiency by more than 20% and virtually eliminate any waste problems.

Turbo has made presentations at various international conferences and is confident of selling its technology on an international scale. Turbo itself also will use this new technology in Canada, with expansion into Eastern Canada under active consideration.

Turbo Resources Limited (Consolidated)



MARKETING

Last year was an excellent year in Turbo's marketing divisions. In our 1971 annual report Turbo predicted sales would be in excess of 15,000,000 gallons of gasolines and middle distillates — the total sold was 18,210,314 gallons, 21% ahead of forecast. The number of marketing outlets has increased substantially to 104 as of Feb. 29, 1972.

During the year Turbo started an identification program for its stations.

The sign selected

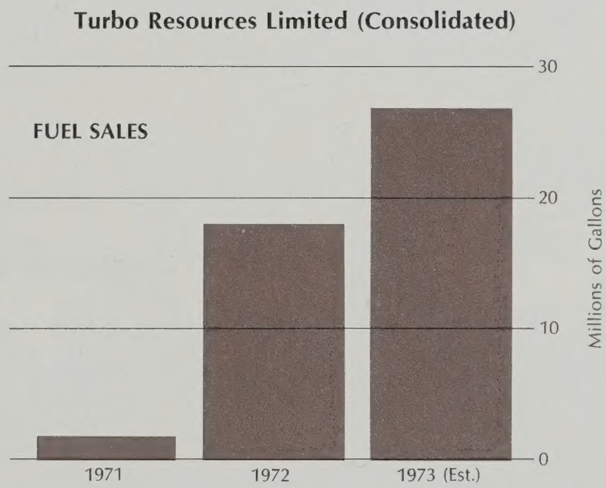
GAS UP AND SAVE
Go Turbo

is now appearing at our service stations in Alberta, British Columbia and Saskatchewan.

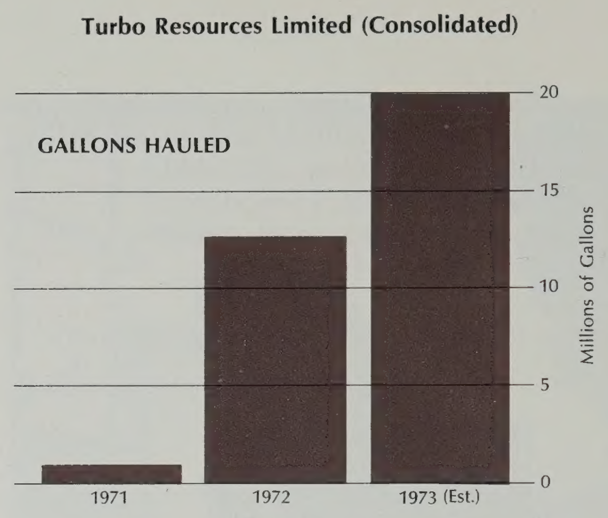
Turbo will continue its efforts to expand its facilities for retail and bulk motor fuel distribution. This will include new construction, acquisition of existing companies and joint ventures with compatible businesses.

This year it is forecast sales will exceed 27,000,000 gallons of fuels. Turbo is on the go!

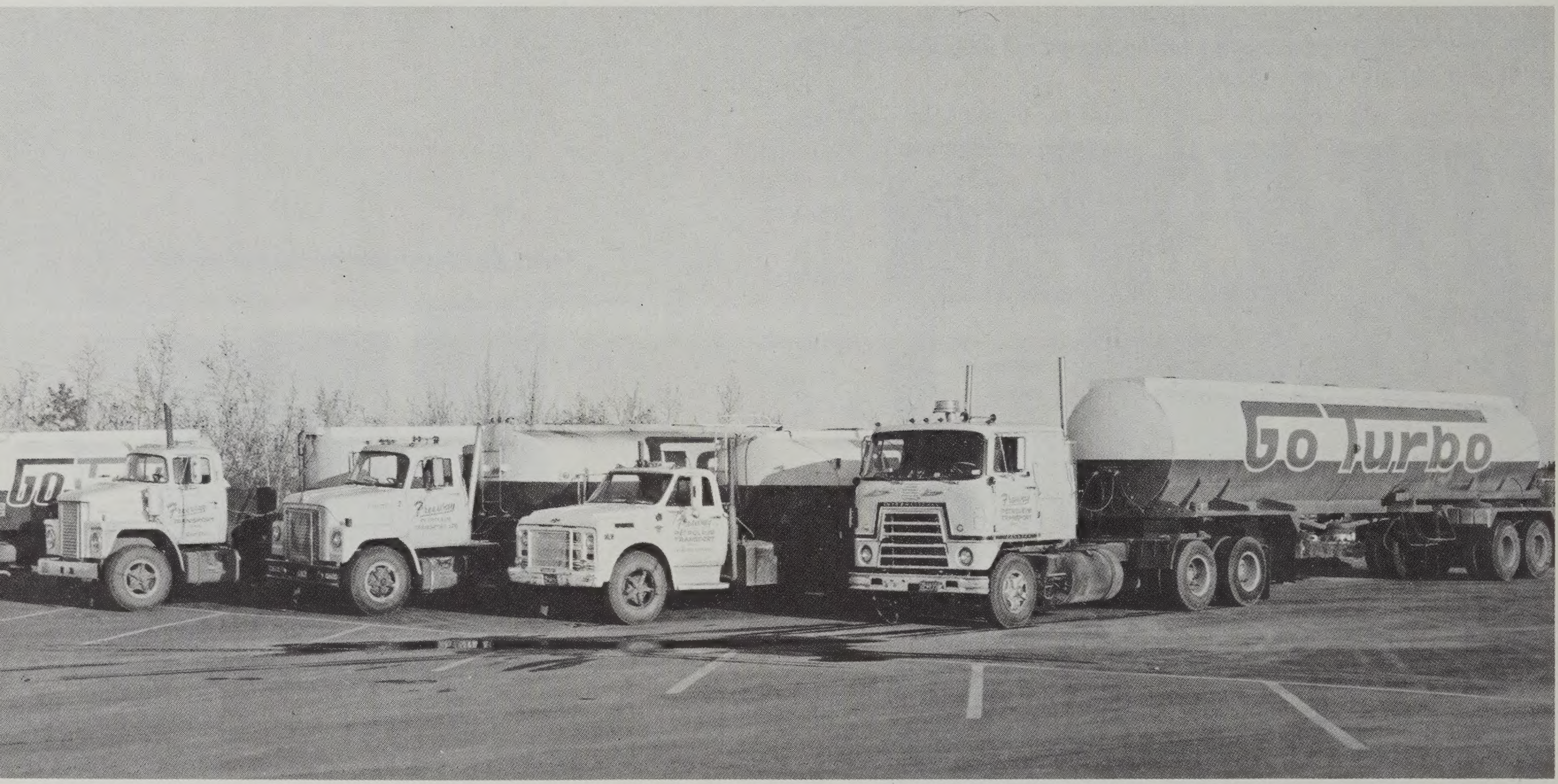
Bob Williams and Jack Donald at the Turbo Louise service station



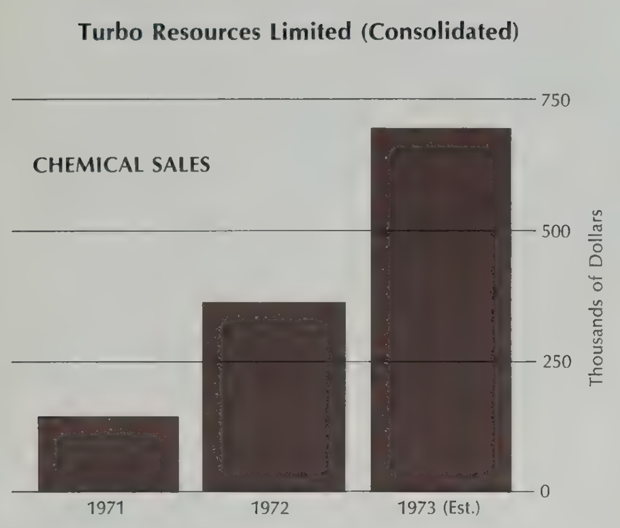
TRANSPORTATION



Freeway Transport Ltd. has grown and modernized its fleet to 15 units. It now operates 7 tractor-trailer units, 3 body trucks, and 5 light-duty trucks. Available tank fleet capacity is 41,200 gallons.



CHEMICALS



Albert Ingeberg and Barry Schneider, vice-president of manufacturing.

Turbo purchased the business of Peerless Industrial Chemicals Ltd. in October of last year and added these product sales to those of its subsidiary, C. C. Snowdon Ltd. This, combined with internal growth, resulted in a 42% increase in sales and will help to yield the 100% increase expected this year. Products are being manufactured and/or packaged at the Snowdon plant in Calgary. New sales offices and warehouses have opened in Vancouver, Saskatoon and Regina. Snowdon's has obtained a number of exclusive distributorships in Western Canada and is currently investigating others.

Two new powder blenders have been added to the Calgary plant. Liquid manufacturing was transferred to the Edmonton plant and a new blender installed.

Turbo's research facilities have added six new products. These are being sold through Snowdon facilities and through Turbo gasoline outlets. Plans are to develop one new marketable product every month.

"Revive", Alberta's first non-phosphated laundry compound, is being test-marketed in Southern Alberta in a new re-usable container. Further penetration into the consumer market will be planned, using these results.

Through acquisition and growth of market area, C. C. Snowdon Ltd. will expand in the market for specialty chemicals.

Turbo RESOURCES LIMITED

(Formerly Liberty Resources Limited)

and its wholly-owned subsidiaries

Consolidated Statement of Income

For the year ended February 29, 1972

(With comparative figures for the preceding year)

Statement 1

	1972	1971
Sales	$8,341,324	$1,130,814
Cost of Sales	6,942,451	729,178
Gross Profit	1,398,873	401,636
Expenses		
Operating and administrative	960,871	363,199
Depreciation	103,851	12,794
Interest on debt:		
Short-term	3,045	2,928
Long-term	57,256	3,977
	1,125,023	382,898
Income Before Income Taxes	273,850	18,738
Provision for Income Taxes – Deferred (Note 7)	–	5,134
Income Before Extraordinary Item	273,850	13,604
Extraordinary Item		
Realization of loss-carry-forward for tax purposes not previously recorded (Note 7)	–	5,134
Net Income for the Year (Statement 4)	$ 273,850	$ 18,738
Earnings Per Share (Note 13)	7.7c	1.5c

The accompanying notes form an integral part of these financial statements.

Turbo RESOURCES LIMITED

(Formerly Liberty Resources Limited)

and its wholly-owned subsidiaries

Consolidated Statement of Source and Application of Funds

For the year ended February 29, 1972

(With comparative figures for the preceding year)

Statement 2

	1972	1971
Source of Funds		
Net income for the year (Statement 1)	$ 273,850	$ 18,738
Add: Charge not requiring the use of funds Depreciation and amortization	118,155	12,794
Funds provided from operations	392,005	31,532
Prior years deferred income taxes of acquired companies	–	11,125
Sale of shares less amounts attributed to intangible assets written off	508,599	415,935
Increase in long-term debt	513,352	281,451
Minority interest in companies acquired	–	50,000
	1,413,956	790,043
Application of Funds		
Research and development costs less grants	27,012	–
Acquisition of fixed assets net of disposals	1,402,872	690,750
Goodwill and other items written off	3,416	–
Dividends declared to minority shareholder of a subsidiary	3,500	–
Other assets in companies acquired	–	16,044
Expenses relating to change in share capital structure and acquisition of subsidiary companies	–	14,849
	1,436,800	721,643
Increase (Decrease) in Working Capital for the Year	(22,844)	68,400
Working Capital (Deficiency) at Beginning of the Year	61,855	(6,545)
Working Capital at End of the Year	$ 39,011	$ 61,855

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

Assets	1972	1971
Current		
Cash	$ 63,442	$ 59,191
Accounts receivable (Note 6)	698,601	233,117
Inventories (Notes 4 & 6)	396,730	281,844
Prepaid expenses	27,265	8,195
	1,186,038	582,347
Fixed, at cost (Note 5)	2,018,110	719,089
Other		
Deposits	3,025	2,980
Research and development costs (Note 3a)	28,607	15,944
Trademarks	100	100
	31,732	19,024
	$3,235,880	$1,320,460

Approved on behalf of the Board:

Director

Director

The accompanying notes form an integral part of these financial statements.

ebruary 29, 1972 (With comparative figures for the preceding year)

Statement 3

Liabilities	1972	1971
Current		
Bank loan	$ –	$ 65,000
Accounts payable	985,429	369,644
Drum deposits	35,200	40,800
Current portion of long-term debt	126,398	45,048
	1,147,027	520,492
Long-term (Note 6)	794,803	281,451
Deferred Income Taxes (Note 7)	11,125	11,125
Minority Interest – Non-voting preferred shares of a subsidiary company	50,000	50,000
	2,002,955	863,068

Shareholders' Equity		
Share Capital (Note 8)		
Authorized		
10,000,000 shares without nominal or par value, not to exceed $6,250,000 in aggregate		
Issued		
3,791,200 shares (1971 – 2,931,200 shares)	2,369,076	1,681,076
Deficit (Statement 4)	1,136,151	1,223,684
	1,232,925	457,392
	$3,235,880	$1,320,460

Turbo RESOURCES LIMITED

(Formerly Liberty Resources Limited)

and its wholly-owned subsidiaries

Consolidated Statement of Deficit

For the year ended February 29, 1972
(With comparative figures for the preceding year)

Statement 4

	1972	1971
Balance at Beginning of the Year	**$1,223,684**	$ 663,829
Add:		
Goodwill and other items written off	**3,416**	–
Dividends declared to minority shareholder of a subsidiary	**3,500**	–
Write off of excess of cost of subsidiaries' shares over their value at the date of acquisition (Note 3b)	**179,401**	503,265
Write-down of investments to nominal value	–	60,479
Expenses relating to the change in share capital structure and acquisition of subsidiary companies	–	14,849
	1,410,001	1,242,422
Less:		
Consolidated net income for the year (Statement 1)	**273,850**	18,738
Balance at End of the Year (Statement 3)	**$1,136,151**	$1,223,684

The accompanying notes form an integral part of these financial statements.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Turbo Resources Limited (formerly Liberty Resources Limited) as at February 29, 1972 and the consolidated statements of income, deficit, and source and application of funds for the year then ended. Our examination of the financial statements of Turbo Resources Limited and those wholly-owned subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other wholly-owned subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at February 29, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GARDNER, McDONALD & CO.
Chartered Accountants

Calgary, Alberta
April 25, 1972

Turbo RESOURCES LIMITED

(Formerly Liberty Resources Limited)

and its wholly-owned subsidiaries

Notes to the Consolidated Financial Statements

For the year ended February 29, 1972

(With comparative figures for the preceding year)

1. **Principles of Consolidation**
The consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiaries, Turbo Refineries Ltd., C. C. Snowdon Ltd., Pay-N-Save Petroleums Ltd., Stop-N-Save Petroleums Ltd., and Turbo Chemicals Ltd. and their consolidated results for the twelve months ended February 29, 1972. The consolidated results also include the operations of the wholly-owned subsidiaries Parkland Oil Products Ltd. and Freeway Transport Ltd. from the dates of their acquisition.

2. **Change of Name**
During the year the name of the parent company was changed to Turbo Resources Limited from Liberty Resources Limited.

3. **Accounting Policies**
   a) Research and development costs incurred by the companies for new products are capitalized on the same basis as that used to apply for government grants under the Industrial Research and Development Incentives Act. The total expenditures incurred less grants received and receivable are charged to operations over a three year period. The amount charged against operations for the current year was $14,304.
   b) During the year Management established the policy of allocating any excess of cost of shares of subsidiaries over their net values at the date of acquisition, firstly to fixed assets to the extent of any appraisal increase which may be on the accounts of the subsidiary and the balance written off to deficit. Accordingly, during the current year $325,866 was charged to fixed assets and $179,401 to consolidated deficit.

4. **Inventories**
The major categories of inventories are as follows:

	1972	1971
Raw materials	$123,102	$ 88,728
Finished products	235,922	158,724
Drums	37,706	34,392
	$396,730	$281,844

Raw materials and drums are valued at the lower of cost and replacement cost. Finished products are valued at the lower of cost and net realizable value.

5. **Fixed Assets**
The major categories of fixed assets are as follows:

	February 29, 1972			1971
	Cost	Accumulated Depreciation	Net	Net
Land	$ 574,734	$ –	$ 574,734	$ 68,000
Buildings and leasehold improvements	773,076	97,334	675,742	272,209
Automotive equipment	146,847	27,581	119,266	13,783
Storage tanks and other equipment	751,644	212,971	538,673	321,061
Oil and gas leases:				
Developed	58,815	348	58,467	188
Undeveloped	37,562	–	37,562	37,562
Well development costs	12,464	5,222	7,242	2,824
Production equipment	8,695	2,271	6,424	3,462
	$2,363,837	$ 345,727	$2,018,110	$719,089

The amounts shown above as oil and gas leases and well development costs represent costs to date and are not intended to reflect present or future values. Management has obtained independent professional evaluations on certain of these interests. Based on these studies it is the Directors'

opinion that the value of these interests is greater than the total oil and gas lease and well development costs shown above. The generation of income against which these costs will be matched is dependent upon the future commercial success of these petroleum interests.

6. Long-term Debt

	1972	1971
Long-term debt consists of:		
7½% bank loan, repayable $12,500 quarterly	$112,500	$ –
7½% bank loan, with no fixed terms of repayment (secured by accounts receivable, inventories and a floating charge on the assets of certain of the subsidiaries)	200,000	–
Mortgages and agreements for sale at interest rates from 6% to 12% (secured by various service station properties and with various repayment terms)	414,713	157,193
8% First mortgage loan, repayable quarterly to 1980 (secured by a first charge on the refinery situated in Edmonton)	116,500	126,500
6% - 7½% notes, repayable annually to 1975	31,500	–
12% and 15½% Finance contracts on purchases of certain fixed assets, repayable monthly in 1972 (secured by these assets)	2,498	3,605
Other loans, non-interest bearing, with no fixed terms of repayment	43,490	39,201
	921,201	326,499
Less current portion	126,398	45,048
	$794,803	$281,451

7. Income Taxes

No income taxes are payable in respect to the current year's operations. For income tax purposes the Company is entitled to claim capital cost allowance (depreciation) and drilling, exploration and property acquisition costs (intangible) in amounts which may exceed related depreciation and depletion provided in the accounts. On the tax allocation basis, with respect to depreciation, the deferred income taxes of the current year are not material and have not been reflected in the consolidated financial statements.

The Company, in common with many other companies in the Canadian oil and gas industry, believes that tax allocation accounting for drilling, exploration and property acquisition costs is not appropriate and accordingly no provision has been made for deferred income taxes on timing differences involving such costs.

If the tax allocation basis had been followed for drilling, exploration and property acquisition costs the deferred tax provision would have been $120,400 and extraordinary income of $120,400 would also have been recorded. Accumulated drilling, exploration and property acquisition costs of $241,400 (1971 — $486,400) charged in the accounts to date are available for application against future years' taxable income.

8. Share Capital

a) On June 1, 1971, the parent company acquired all of the issued shares of Parkland Oil Products Ltd. in exchange for $150,000 cash and the issue of 860,000 shares of Turbo Resources Limited. The value of the shares issued was fixed at $688,000.

b) As at February 29, 1972, Roynat Ltd. has an outstanding option to purchase 70,000 shares of the parent company's stock at $0.77 per share, exercisable to November 30, 1975.

9. Remuneration of Directors and Officers

The aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the parent company during the year was $92,000.

10. Contingent Liability

A subsidiary company is contingently liable as guarantor of the indebtedness of a formerly affiliated company to the Industrial Development Bank for approximately $85,600.

11. Lease Obligations (except for oil and gas leases)

The Company and its subsidiaries have lease obligations covering retail gasoline outlets, which in turn have been sublet to third parties. Rental recoveries will be sufficient to allow the companies to meet these obligations.

12. Comparative Figures

The comparative figures for the previous year are based upon financial statements which were reported on by Deloitte, Haskins and Sells, Chartered Accountants.

13 Earnings Per Share

Earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years. If the Roynat Ltd. option had been exercised at the beginning of the year the earnings per share would be approximately the same as those reported on the consolidated statement of income.


Turbo RESOURCES LIMITED
IN
WESTERN CANADA
As of May 1, 1972
Retail Outlet
Bulk Plant
Refinery
Manufacturing Plant
Chemical Warehouse & Sales Office
Area of Exploration Acreage
ALBERTA
BRITISH COLUMBIA
SASKATCHEWAN
Grande Prairie
Prince Albert
Saskatoon
Drumheller
CALGARY
VANCOUVER
REGINA

Go Turbo

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1972 ANNUAL REPORT

10 MONTHS ENDED DECEMBER 31, 1972

Turbo

RESOURCES LIMITED

Turbo RESOURCES LIMITED
AND SUBSIDIARY COMPANIES

HIGHLIGHTS

	1972 (for 10 months ending Dec. 31, 1972)	1972 (for 12 months ended Feb. 29, 1972)	1971 (for 12 months ended Feb. 28, 1972)
Sales	$11,216,181	$8,341,324	$1,130,814
Net Income . .	333,400	273,850	18,738
Net Income per share . .	8.3¢	7.7¢	1.5¢
Cash Flow . . .	484,280	392,005	31,352
Cash Flow per share . .	11.8¢	11.0¢	2.5¢
Current Assets	1,637,395	1,186,038	582,347
Fixed Assets (net)	3,904,952	2,018,110	719,089
Shareholders' Equity	2,126,725	1,232,925	457,392

10-Month Report

Because of the change of Turbo Resources Limited's fiscal year from the end of February to December 31, it should be noted that financial statements for this fiscal year are for ten months only.

Turbo wholly-owned subsidiaries & businesses:

- Turbo Refineries Ltd.
- Turbo Chemicals Ltd.
- C. C. Snowdon Ltd.
- Parkland Oil Products Ltd.
- Freeway Transport Ltd.
- Bruinsma Bros. Holdings Ltd.
- Pay-N-Save Petroleums Ltd.
- Stop-N-Save Petroleums Ltd.
- Peerless Chemicals
- Velvet Oil Company

Controlled subsidiaries:

Twin Richfield Oils Ltd.

Golden Spike Western Petroleums Limited

Twin Oils Ltd.

Contents

Turbo RESOURCES LIMITED
AND SUBSIDIARY COMPANIES

REPORT TO SHAREHOLDERS

Turbo Resources Limited has completed another successful year of dynamic growth.

Sales rose to $11,216,181 for the 10-month fiscal period ending December 31, 1972. Sales exceeded $12,800,000 for the 12-month period ending February 28, 1973, which is a 50% increase over the 12 months ending February 29, 1972. Sales are expected to exceed $17,000,000 this year.

Net income increased to $333,400 and cash flow to $484,280 (see "Highlights" on left-hand page). Shareholders' equity increased to 51¢ per share.

During the past 10 months the company has acquired substantial capital assets and has used its working capital for this purpose. Turbo is able to operate with a lower working capital by taking advantage of the opportunity offered by marketing for cash. This opportunity provides the company with immediate working capital. It is anticipated Turbo will continue to use working capital during the year to purchase assets and then mortgage them in bulk to restore working capital for future expansion. Turbo has always met its current obligations promptly, and will continue to do so.

The management of the company believes in furthering the development of an integrated Canadian oil company and it is the desire of directors and management to achieve this goal through good planning and ambitious effort.

We have spent the latter part of 1972 consolidating our position and building a strong management team. We have many plans for 1973 and feel that it will be an exceptionally good year for your company.

Robert G. Brawn
President

V. K. Travis
Chairman of the Board of Directors

Turbo RESOURCES LIMITED

MARKETING

Turbo expanded its marketing outlets from 104 in February, 1972, to 144 by year end and sales reached an all-time high of 23,063,749 gallons for the 10-month period compared with 18,210,000 gallons for the previous 12-month period.

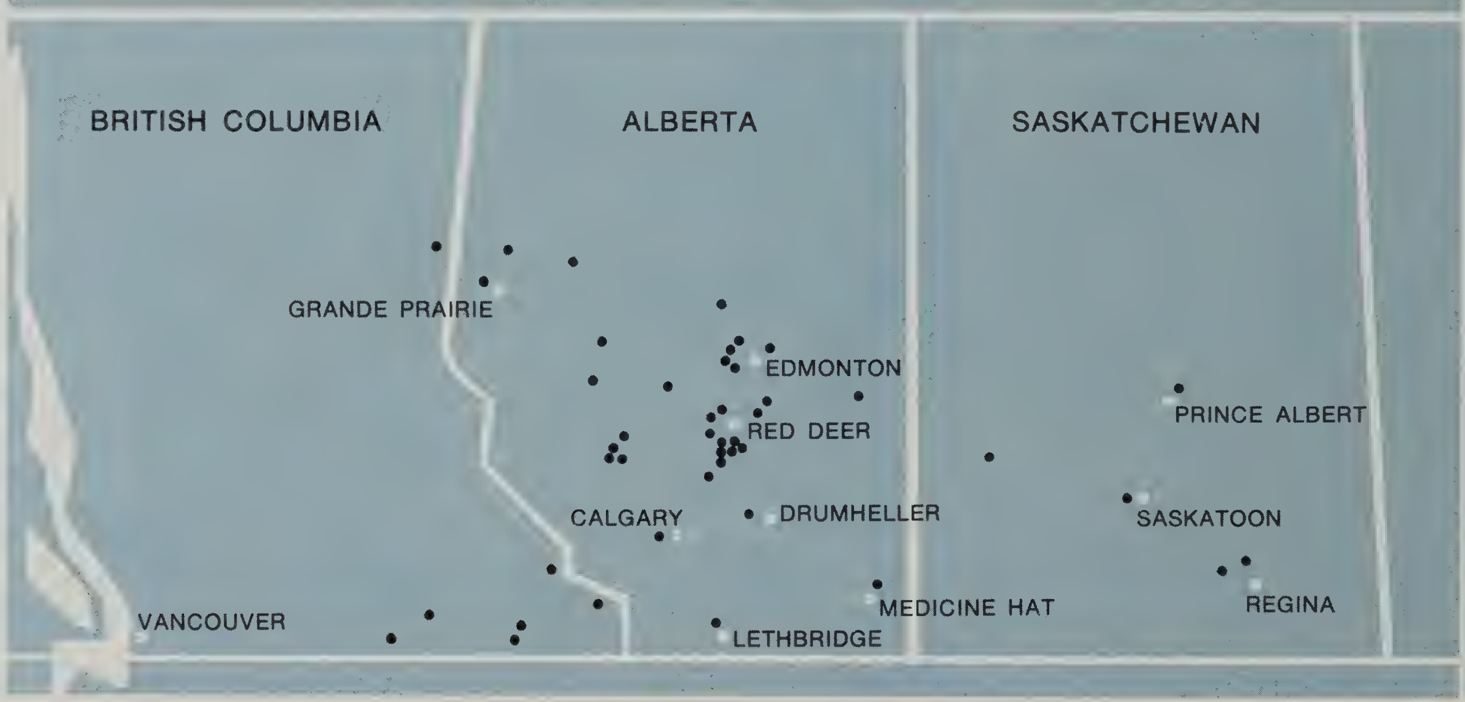
Turbo's network of outlets was increased during the year by opening new stations in many additional towns (Bonnyville, Claresholm, High Prairie, High River, Lloydminster, Leduc, Raymond, Stettler, Sylvan Lake, Westlock and Whitecourt in Alberta; Sparwood and Moyie in B.C.; and Moose Jaw and Wynyard in Saskatchewan, to name a few), while additional outlets were established in the major cities and in previously serviced towns. Bulk farm supply is now available at 27 outlets, car washes are in service at 7 locations and the company has 1 self-service dealer.

An extensive painting and identifying program was continued to identify more outlets with the Turbo image. A program of improved quality of service, better qualified and uniformed dealers and wider selections of merchandise has been and is Turbo's practice, which will result in greater sales in every outlet. Credit facilities through the use of Chargex are now being offered to the public through all outlets.

Turbo's objective of offering a rewarding career to aggressive young service station managers, both men and women, has been successful in attracting well-qualified dealers who have excelled in providing service to the motoring public.

Turbo's gasoline marketing program is in high gear, and rapid growth by expanded market area, together with the use of modern merchandising techniques are Turbo's objectives. This will include an expansion farther west into British Columbia and into Western Manitoba during 1973.

TURBO'S MARKETING NETWORK



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3

4

1. Tom Olifirowich at Nisku Turbo
2. Car-Care Service at U-Save Turbo, Saskatoon
3. Ed and Arnold Eisenbeis at Albert Park Turbo, Forest Lawn
4. "Top up with Turbo Supreme"

EXPLORATION AND PRODUCTION

1. Turbo's oil and gas exploration activities have begun to pick up momentum with acquisition of control of Twin Richfield Oils Ltd. and its subsidiaries Golden Spike Western Petroleums Limited and Twin Oils Ltd., along with Turbo's own property acquisitions. Gross exploration acreage has increased to 79,426, up almost 4 times from February, 1972, and all of this acreage is semi-proven. Turbo's Arctic permit applications have not yet been issued, but will add an additional 200,000 acres to net figures when the new Arctic exploration regulations are approved. Turbo now has 23 gross oil and/or gas wells either in production or suspended awaiting market connections.

   Turbo, through its interest in Twin Richfield, has interests in the Leduc Woodbend D2 and D3 units, Joarcam Unit #1 and #2, the Wainwright #4 Unit and the Crossfield Cardium Unit #2. It also has a gross overriding royalty on a number of wells in the Cessford gas unit. The company is in an excellent position to benefit by the expected increases in oil and gas prices in the immediate future.

2. **Phoenix**
   This well in West Central Alberta was on production continuously during 1972 and averaged gas and liquids in excess of 1250 mcf per day, of which 160 barrels per day was stabilized condensate.

3. **Southern Alberta**
   By acquisition of Twin Oils Ltd., Turbo has achieved a good representation in the Bow Island area. We are participants currently in 4 capped gas wells and one oil well. We have planned 10 additional gas well locations and 4 oil well locations. This area, which is currently undergoing extensive exploration activity, is most promising.

4. **Antelope Lake**
   The drilling of a well in 14-35-15-18W3 in Southwest Saskatchewan was disappointing in that no reservoirs were encountered. As considerable water was encountered in our production test of 11-35-15-18 some doubt now exists as to the reservoir size. Discussions are going on as to the future of this area.

5. **Forestburg**
   Alberta Gas Trunk Lines have completed their northern lateral extension past our well in East Central Alberta and 2 additional locations have been picked. It is planned to drill these this year to prove the reservoir for a gas contract.

6. **Camrose**
   This Central Alberta area represents most of Turbo's current production with 6 producing wells. Four additional wells are shut in, awaiting workovers after engineering evaluations. All batteries are equipped with modern treater facilities and water disposal wells.

THE WELL LOG

	1970	1971	1972	(Dec.) 1972
Gross (acres) Land	2,440	2,440	22,400	79,426
Net Land	244	244	5,766	13,708
Gross Wells	1	1	4	23
Net Wells	.15	.15	1.09	15.54

Turbo LAND HOLDINGS

Proposed Location ●
Suspended Oil
Gas Well
Abandoned Well
Water Injection

CHEMICALS, REFINING, RESEARCH

C. C. Snowdon Ltd. experienced its best year since 1907 (when it was founded by Campbell C. Snowdon) with sales of $484,816 for the 10-month period. Profits advanced by 25%.

Product lines have been consolidated during the year and production line efficiency improved. Efforts of management are primarily being directed at expanding sales and profits during 1973 with no large capital expenditure being planned.

REFINING

The 10-month period ending December 31, 1972, resulted in record sales of over $1,000,000 in the company's refinery operation. Profits were up 100 per cent over the previous 12-month period. Largest gains were in custom blending and packaging with more modest gains in the re-cycling operation.

These gains were made despite considerable changes made in operations (equipment and personnel) during 1972. As a result, however, 1973 promises to be both a record sales and profit year. Other than modest changes in pollution control devices, no capital expenditures are planned in this area during 1973.

Efforts are being directed to sales (to industry, the public and the governments) and to maximizing production during 1973.

RESEARCH

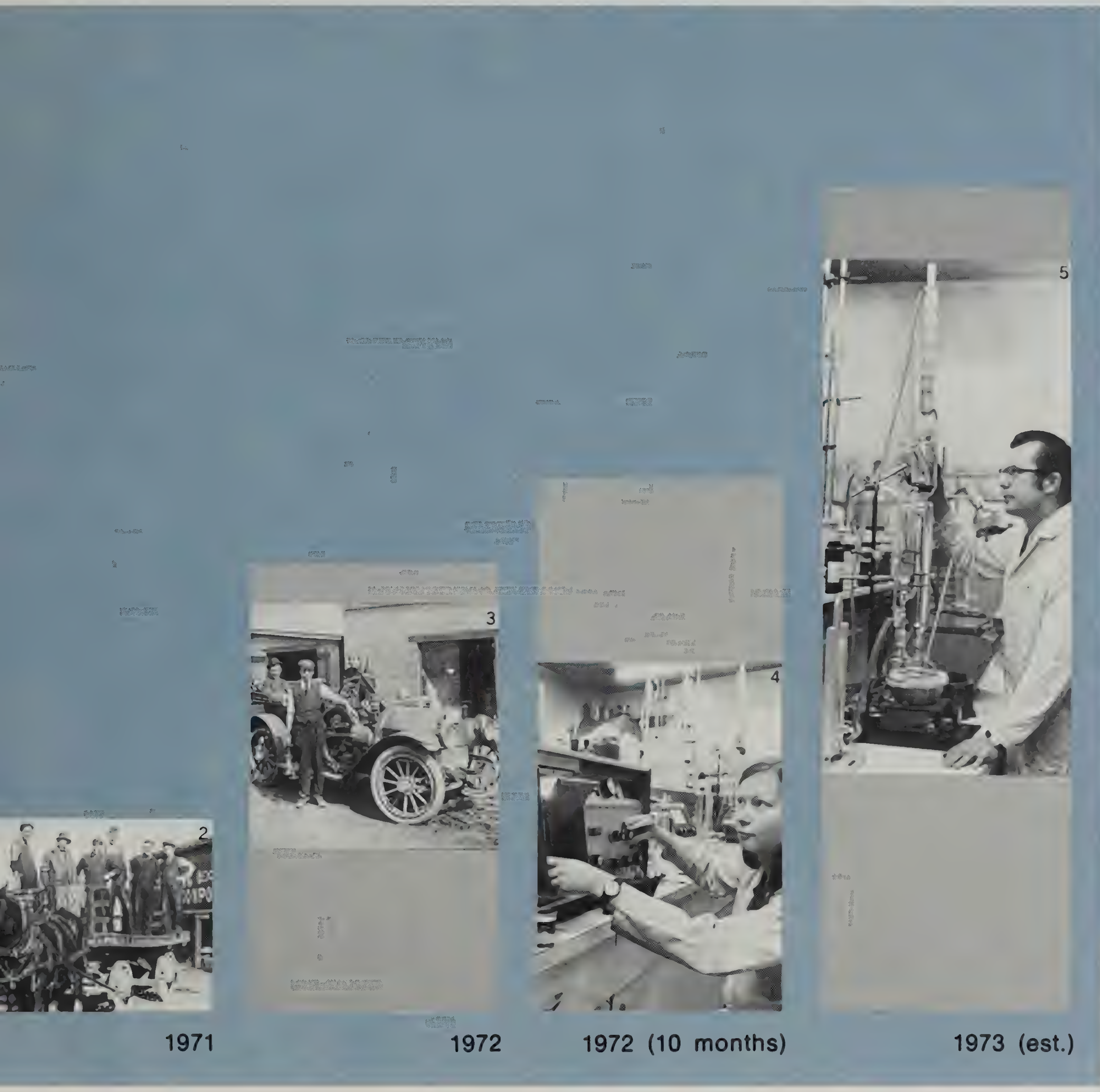
Efforts during the year centred on developing new products for the chemical department. Five new products were introduced and are being successfully marketed, namely: Snowdon's Pink Liquid Detergent, Snowdon's Liquid Spray Foam, Snowdon's Germicidal Cleaner, Snowdon's All-Purpose Cleaner CCS 100, and Snowdon's Poodle Shampoo.

A greatly expanded program is planned for 1973 in re-cycling liquid wastes. As well as process improvements for our lubricating oil re-cycling plant, plans call for development of a process to re-cycle synthetic lubricants for gas transmission companies and re-cycling synthetic solvents.

Work to date has been encouraging and successful completion to a manufacturing stage is anticipated.

COMPANY GROWTH TREND

197



1. In the beginning
2. In the horse and dray days (1909)
3. C. C. Snowdon's first Model T (1912)
4. Atomic absorption spectrophotometer used at Turbo Refineries for quality control analysis on oil samples
5. Dr. Douglas Cameron in research laboratory

TRANSPORTATION

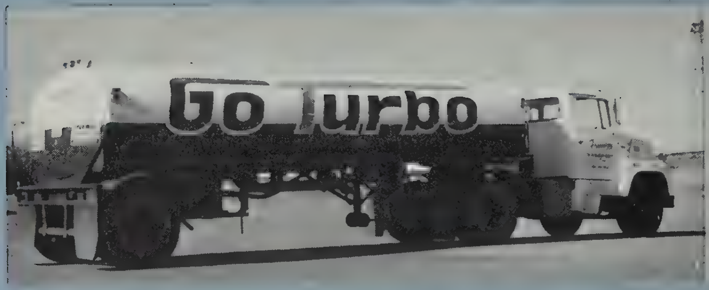
Freeway Transport Ltd. continued its program of modernization and expansion and now operates 16 tractor-trailer units with over 80,000 gallons of trailer capacity. As Freeway has developed, it has utilized more diesel tractors for greater operating efficiency.

Freeway now provides service throughout Alberta and British Columbia for the network of Turbo service stations in this area. Expansion into Saskatchewan is anticipated during the summer of 1973 to service Turbo's market in that province.

It is anticipated Freeway will continue to expand and grow in order to be able to constantly serve the expanding Turbo organization.

GALLONAGE HAULED

1971



1972

1972 (10 months)

Turbo RESOURCES LIMITED
AND SUBSIDIARY COMPANIES

FOUR YEAR STATISTICAL REVIEW

	(for 10 months ending Dec. 31, 1972)	(for 12 months ending Feb. 29 1972)	1971	1970
Sales	11,216,181	8,341,324	1,130,814	1,000
Cost of sales	9,250,097	6,942,451	729,178	620
Gross profit	1,966,084	1,398,873	401,636	380
Total expenses	1,631,972	1,125,023	382,898	12,651
Net operating income (loss)	334,112	273,850	18,738	(12,269)
Other income	8,823	—	—	12,330
Net income before taxes	342,935	273,850	18,738	61
Taxes	9,535	—	—	—
Net income	333,400	273,850	18,738	61
Property, plant and equipment	3,098,654	1,908,415	719,089	41,133
Production equipment and oil and gas leases	806,298	109,695	46,144	41,133
Other assets	2,244,305	1,217,770	19,024	2,955
Long term debt	1,918,007	794,803	281,451	—
Shareholders' equity	2,126,725	1,232,925	457,392	98,047

Turbo RESOURCES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE TEN MONTHS ENDED DECEMBER 31, 1972
(with figures for the twelve months ended February 29, 1972 for comparison)

	December 31, 1972	February 29, 1972
Sales	**$11,216,181**	$ 8,341,324
Cost of sales	**9,250,097**	6,942,451
Gross Profit	**1,966,084**	1,398,873
Expenses:		
Operating and administrative	**1,424,374**	960,871
Depreciation and depletion (Note 5)	**103,629**	103,851
Interest on debt:		
Short-term	**25,984**	3,045
Long-term	**56,906**	57,256
Amortization of excess of cost of a subsidiary's shares over net book value (Note 3)	**21,079**	—
Total expenses	**1,631,972**	1,125,023
Income before income taxes	**334,112**	273,850
Provision for income taxes—Deferred (Note 7)	**9,535**	—
Income before extraordinary item	**324,577**	273,850
Extraordinary item:		
Recovery of income taxes	**8,823**	—
Net income for the period	**$ 333,400**	$ 273,850
Earnings per share (Note 12)	**8.3¢**	7.7¢

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE TEN MONTHS ENDED DECEMBER 31, 1972
(with figures for the twelve months ended February 29, 1972 for comparison)

	December 31, 1972	February 29, 1972
Funds provided:		
Net income for the period	$ 333,400	$ 273,850
Add charges not requiring the use of funds:		
Depreciation and depletion	103,629	—
Amortization of research and development costs	16,637	118,155
Deferred income taxes	9,535	—
Amortization of excess of cost of a subsidiary's shares over their net book value	21,079	—
Total funds provided from operations	484,280	392,005
Increase in long-term debt	1,123,204	513,352
Deferred taxes in acquired companies	10,049	—
Issuance of capital stock	563,900	508,599
Total funds provided	2,181,433	1,413,956
Funds applied:		
Additions to property, plant and equipment—net	1,990,471	1,402,872
Research and development expenditures, net of grants	29,288	27,012
Goodwill and other items written-off	—	3,416
Increase in deposits	38,877	—
Other assets acquired	17,749	—
Dividends declared on preferred shares of a subsidiary	3,500	3,500
Excess of cost of a subsidiary's shares over net book value	526,980	—
Total funds applied	2,606,865	1,436,800
Decrease in working capital for the period	425,432	22,844
Working capital at beginning of the period	39,011	61,855
Working capital (deficiency) at end of the period	$ (386,421)	$ 39,011

The accompanying notes are an integral part of the consolidated financial statements.

Turbo RESOURCES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1972
(with February 29, 1972 figures for comparison)

ASSETS

	December 31, 1972	February 29, 1972
Current assets:		
Cash	$ 75,688	$ 63,442
Accounts receivable	1,006,536	698,601
Inventories (Note 4)	516,337	396,730
Prepaid expenses	38,834	27,265
Total current assets	1,637,395	1,186,038
Property, plant and equipment—at cost (Note 5)	4,732,987	2,363,837
Less accumulated depreciation and depletion	828,035	345,727
Net property, plant and equipment	3,904,952	2,018,110
Other assets—at cost:		
Deposits	41,902	3,025
Research and development costs less amortization	41,258	28,607
Excess of cost of a subsidiary's shares over net book value less amortization (Note 2)	505,901	—
Other	17,849	100
Total other assets	606,910	31,732
TOTAL	$ 6,149,257	$ 3,235,880

Approved by the Board:

Director

Robert G. Brown Director

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1972	February 29, 1972
Current liabilities:		
Bank indebtedness—secured by general assignment of accounts receivable and inventories	$ 427,323	$ —
Accounts payable and accrued liabilities	1,236,250	985,429
Drum deposits	42,939	35,200
Income taxes (Note 7)	68,168	—
Current portion of long term-debt (Note 6)	249,136	126,398
Total current liabilities	2,023,816	1,147,027
Long-term debt (Note 6)	1,918,007	794,803
Deferred income taxes (Note 7)	30,709	11,125
Minority interest—Non-voting preferred shares of a subsidiary company	50,000	50,000
Shareholders' Equity:		
Capital stock (Note 8):		
Authorized:		
10,000,000 shares without nominal or par value, not to exceed $6,250,000 in aggregate		
Issued and fully paid:		
4,161,200 shares (February 29, 1972—3,791,200)	2,932,976	2,369,076
Deficit	806,251	1,136,151
Net shareholders' equity	2,126,725	1,232,925
TOTAL	$ 6,149,257	$ 3,235,880

Turbo RESOURCES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE TEN MONTHS ENDED DECEMBER 31, 1972
(with figures for the twelve months ended February 29, 1972 for comparison)

	December 31, 1972	February 29, 1972
Balance at beginning of the period	**$ 1,136,151**	$ 1,223,684
Add:		
Dividends declared to minority shareholder of a subsidiary company	**3,500**	3,500
Goodwill and other items written off	—	3,416
Write-off of excess of cost of subsidiaries' shares over their net book value (Note 3)	—	179,401
	1,139,651	1,410,001
Deduct:		
Consolidated net income for the period	**333,400**	273,850
Balance at end of the period	**$ 806,251**	$ 1,136,151

The accompanying notes are an integral part of the consolidated financial statements.

AUDITORS' REPORT

To the Shareholders of
Turbo Resources Limited:

We have examined the consolidated balance sheet of Turbo Resources Limited as at December 31, 1972 and the consolidated statements of income, deficit and source and application of funds for the ten months then ended. Our examination of the financial statements of Turbo Resources Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, based on our examination and the report of other chartered accountants referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and source and application of their funds for the ten months then ended, in accordance with generally accepted accounting principles applied, except for the change in accounting policy as explained in Note 3, on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Chartered Accountants

Calgary, Alberta
March 7, 1973.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1972

1. Basis of Consolidation:

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Turbo Refineries Ltd., C. C. Snowdon Ltd., Pay-N-Save Petroleums Ltd., Stop-N-Save Petroleums Ltd., Turbo Chemicals Ltd., Parkland Oil Products Ltd. and Freeway Transport Ltd. and their consolidated results for the ten months ended December 31, 1972. During the period, the company acquired, through subsidiary companies or directly, controlling interest in Twin Richfield Oils Ltd., Golden Spike Western Petroleums Limited, and Twin Oils Ltd., and wholly, Bruinsma Bros. Holdings Ltd. The consolidated results include the operations of these subsidiaries from the dates of their acquisition.

2. Acquisitions:

On July 1, 1972 the company acquired all of the outstanding shares of Bruinsma Bros. Holdings Ltd. in exchange for $50,000 cash and the issue of 300,000 shares valued at $510,000.

By December 12, 1972 the company had acquired effective control of Twin Richfield Oils Ltd., and its controlled subsidiary companies for a cash consideration of $175,000 and the exchange of $500,000 8% first convertible serial notes maturing in 1983 for an outstanding issue of 8% convertible debentures of Twin Richfield Oils Ltd. due June 30, 1974.

3. Accounting Policy:

The excess of cost of investments in subsidiaries over net book value at date of acquisition is included in property, plant and equipment except in the case of marketing operations acquired. This amount, where it exceeded appraised values of tangible assets acquired, had previously been written off to deficit. Commencing with a 1972 acquisition, the excess of cost of a subsidiary company's shares over net book value, commonly described as "goodwill", is separately presented and management has adopted a policy of amortizing this amount over a period of benefit which will not exceed twenty-five years.

4. Inventories:

	December 31, 1972	February 29, 1972
Raw materials	$177,549	$123,102
Finished products	290,485	235,922
Drums and pallets	48,303	37,706
	$516,337	$396,730

Raw materials, drums and pallets are valued at the lower of cost or replacement cost. Finished products are valued at the lower of cost or net realizable value.

5. Property, plant and equipment:

	Cost	Accumulated Depreciation and Depletion	Rates
Land	$ 946,736	$ —	—
Buildings and leasehold improvements	1,268,681	137,718	2½% to 20% straight-line
Automotive equipment	225,193	67,135	30% diminishing-balance
Storage tanks and other equipment	1,124,398	261,501	3% to 30% straight-line
Oil and gas properties:			
Developed	823,449	174,928	unit of production
Undeveloped	70,462	—	—
Well development costs	132,525	66,413	unit of production
Production equipment	141,543	120,340	10% straight-line
	$4,732,987	$828,035	

It is the companies' practice to provide for depreciation and depletion using the methods and rates shown above.

6. Long-term Debt:

	December 31, 1972	February 29, 1972	Interest Rates
Bank loans	$ 625,000	$312,500	7½% to 7¾%
Mortgages payable on property	1,031,676	606,203	non-interest bearing to 12%
Finance contracts	10,467	2,498	12%
8% First convertible serial notes	500,000	—	8%
	2,167,143	921,201	
Less current portion	249,136	126,398	
	$1,918,007	$794,803	

With the exception of the 8% first convertible serial notes, the borrowings are secured either by a general assignment of accounts receivable and inventories or by specific items of property, plant and equipment.
The 8% first convertible serial notes are repayable annually to 1983, subject to any conversion as outlined in note 8(d), and are secured by the properties of a subsidiary company.
The bank loans will be partially replaced by the subsequent borrowing of funds as outlined in note 11.

7. Income Taxes:
No income taxes are payable with respect to the current period's operations. For income tax purposes the company and its subsidiaries are entitled to claim capital cost allowances (depreciation) and drilling, exploration and property acquisition costs (intangibles) in amounts which may exceed related depreciation and depletion provided in the accounts. On the tax allocation basis, deferred taxes with respect to tangible assets have been provided for in the consolidated financial statements. The company and its subsidiaries, in common with many other companies in the Canadian oil and gas industry believe that tax allocation accounting for intangible drilling, exploration and property acquisition costs is not appropriate and accordingly no provision has been made in these consolidated financial statements for deferred income taxes with respect to such costs.
If the tax allocation basis had been followed for drilling, exploration and property acquisition costs, the deferred tax provision would have been $167,343 and accumulated deferred taxes would be reduced to Nil. Accumulated drilling, exploration and property acquisition costs of $18,989 (February 29, 1972—$280,875) charged in the accounts to date are available for application against future years' taxable income.
The income taxes payable of $68,168 arise from the pre-acquisition operations of a subsidiary company.

8. Capital Stock:

a) On July 1, 1972, the parent company acquired all of the outstanding shares of Bruinsma Bros. Holdings Ltd. in exchange for $50,000 cash and the issue of 300,000 shares of Turbo Resources Limited. The value of the shares issued was fixed at $1.70 per share.
b) An outstanding option to Roynat Ltd. to purchase 70,000 shares of the parent company at $.77 per share was exercised during the year.
c) On June 5, 1972, the shareholders approved the adoption of a stock option plan under which 180,000 common shares of the company were reserved for officers and employees of the company. As at December 31, 1972 options totalling 150,000 shares had been granted at a price of $1.35 each. No options had been exercised at December 31, 1972. The outstanding options granted expire on November 30, 1977 and are exercisable to acquire up to 20% of the total shares under option in any one year on a cumulative basis.
d) As at December 31, 1972, the holders of the 8% first convertible serial notes have the right, prior to December 1, 1983, to convert such notes into capital stock of the company on the basis of 1,000 common shares for each $2,000 principal outstanding.

9. Lease Obligations (Except for oil and gas leases):
The company and its subsidiaries have lease obligations covering retail gasoline outlets and office space which in turn have been sublet to third parties. Rental recoveries will be sufficient to allow the companies to meet these lease obligations.

10. Remuneration of Directors and Officers:
The aggregate direct remuneration paid to directors and senior officers of the company and its subsidiaries during the period was $91,000.

11. Subsequent Event:
A subsidiary company has arranged long-term financing for $450,000. The loan will bear interest at 10¼% per annum and is repayable monthly to 1987. It will be secured by first and second charges on property, plant and equipment of the subsidiary company and is guaranteed by Turbo Resources Limited.

12. Earnings Per Share:
Earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal periods. If the 8% first convertible serial notes had been converted at their date of issuance in December the earnings per share would be approximately the same as those reported on the consolidated statement of income. The effect of extraordinary income of $8,823 is not significant.

13. Comparative Figures:
The financial statements for February 29, 1972, which are presented for comparative purposes were examined and reported upon by other chartered accountants.

Turbo RESOURCES LIMITED

Directors

Vance Kenneth Travis,
chairman of the board, Calgary
Robert G. Brawn, Calgary
Jack C. Donald, Red Deer
John W. Killick, Calgary
John F. Moore, Calgary
Carl O. Nickle, Calgary
Graham D. Ross, Calgary

Officers

Robert G. Brawn, president
Vance K. Travis, chairman
Jack C. Donald, vice-president marketing
Barry R. Schneider, vice-president manufacturing
John W. Killick, secretary-treasurer

Head Office

901 - 8th Ave. S.W., Calgary, Alberta, Canada T2P 1J1

Bank

Canadian Imperial Bank of Commerce, Main Branch,
309 - 8th Ave. S.W., Calgary

Auditors

Deloitte, Haskins & Sells
Chartered Accountants, Calgary

Solicitors

Howard, Moore, Dixon, Mackie & Forsyth, Calgary
Beames, Chapman, Foster, McAfee, Red Deer
Cormie, Kennedy, Edmonton

Registrars and Transfer Agents

Guaranty Trust Company of Canada
311 - 8th Ave. S.W., Calgary, Alberta T2P 1C7
and
Guaranty Trust Company of Canada
88 University Ave., Toronto 1, Ontario

Stock Exchanges

Calgary Stock Exchange, Calgary
The Toronto Stock Exchange, Toronto

Annual Meeting of Shareholders

The annual meeting of shareholders will be held on ~~Thursda~~y, May 30, 1973, at 10:00 a.m. in Rideau Room, The Calgary Inn in the City of Calgary, Alberta, Canada

GAS UP AND SAVE

Go Turbo

SH Corp report

Turbo
RESOURCES LIMITED

INTERIM
REPORT

6

MONTHS
ENDED
AUGUST 31, 1972

Go Turbo

Turbo RESOURCES LIMITED

Directors (*) and Officers

*V. Kenneth Travis, Chairman of the Board - Calgary
*Robert G. Brawn, President - Calgary
*Jack C. Donald, Vice-President Marketing - Red Deer
*John W. Killick, Secretary-Treasurer - Calgary
*John F. Moore - Calgary
*Carl O. Nickle - Calgary
*Graham D. Ross - Calgary
Barry R. Schneider, Vice-President Manufacturing - Calgary

Head Office

901 - 8th Avenue S.W.
Calgary, Alberta T2P 1J1

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Canadian Imperial Bank of Commerce
Main Branch, Calgary, Alberta, Canada

Auditors

Deloitte, Haskins & Sells
Chartered Accountants, Calgary, Alberta, Canada

Solicitors

Howard, Moore, Dixon, Mackie & Forsyth
Calgary, Alberta, Canada

Cormie & Kennedy
Edmonton, Alberta, Canada

Beames, Chapman, Foster & McAfee
Red Deer, Alberta, Canada

Registrars and Transfer Agents

Guaranty Trust Company of Canada
in Calgary, Alberta and Toronto, Ontario

Stock Exchanges

The Toronto Stock Exchange (industrial section)
Calgary Stock Exchange (industrial section)

Turbo Wholly-Owned Subsidiaries and Businesses

- Turbo Refineries Ltd.
- Turbo Chemicals Ltd.
- C. C. Snowdon Ltd.
- Parkland Oil Products Ltd.
- Freeway Transport Ltd.
- Pay-N-Save Petroleums Ltd.
- Stop-N-Save Petroleums Ltd.
- Bruinsma Bros. Holdings Ltd.
- Peerless Chemicals
- Velvet Oil Company

Directors' & Officers' Progress Report

TO THE SHAREHOLDERS:

The first six months of Turbo Resources Limited's 1972 fiscal year have shown outstanding growth in volume of business as well as an increase in profits. The Board of Directors has been strengthened in the past year by the addition of three non-company directors, who have added more experience and expertise to the direction of our company.

"OUTSTANDING GROWTH"

I am most proud to welcome to the board Carl O. Nickle, distinguished Canadian oilman, community leader and philanthropist; John F. Moore, a leading local authority on corporate law; and Graham D. Ross, Calgary-born oil executive.

The Board of Directors congratulates Turbo's staff and management on their continued achievements.
—V. Kenneth Travis, Chairman of the Board

❁ ❁ ❁

Turbo has expanded on all fronts during the last six months in order to fulfil its goals as a dynamic growth company. Sales, profits, number of service stations, number of trucks, number of oil wells, acreage under lease, plant, equipment, etc., have all increased.

Turbo now has interests in 11 oil wells, 1 gas well, 1 gas/condensate well. We have recoverable reserves of more than 200,000 barrels of oil and more than 10 billion cf of gas.

Turbo successfully applied to the Toronto Stock Exchange in June and was listed for trading in the industrial section. Turbo acquired the shares of Bruinsma Bros. Holdings Ltd. during this time and this added 7 stations in Southern Alberta to our marketing chain.

ALL SIGNS ARE "GO"

All signs are positive for expanded growth the last half of this year with more emphasis being put on oil and gas development.*—Robert G. Brawn, President*

❁ ❁ ❁

Turbo generated 5 cents a share net profit on sales of 6.5 million dollars during the first half of this fiscal year. Non-cash expenses of almost $80,000 resulted in cash flow of 7 cents a share, an increase of more than 25 per cent over the similar period last year.

PROFITS "UP 25 PER CENT"

$731,856 was spent on new stations, plant and equipment. As Turbo continued to expand, the company obtained substantial increases in lines of operating credit which have allowed it to operate with less working capital.*—J. W. Killick, Secretary-Treasurer*

❁ ❁ ❁

Turbo's marketing network has experienced dynamic growth in these 6 months. The number of our marketing outlets has increased from 104 to 135, with major strides in individual station volume and efficiency. Turbo's gasoline gallonage this August increased 85 per cent over the August 1971 figure. This trend is confidently expected to continue throughout the year. Continued progress is being made to provide more service to customers and to upgrade our "GAS UP & SAVE" service stations. Four new company-owned gas and oil bulk plants have been opened to enable Turbo to service more farm, service station and industrial accounts in new areas.

MARKETING: "DYNAMIC GROWTH"

Turbo's transportation subsidiary, Freeway Transport Ltd., has updated and expanded to 10 tractor-trailer units. Trucking services are now available at all Turbo divisional offices in Edmonton, Red Deer, Calgary and Saskatoon. *—Jack C. Donald, Vice-President Marketing*

❁ ❁ ❁

Major gains in sales have been achieved by both our manufacturing subsidiaries. Turbo Refineries Ltd.'s sales increased more than 100 per cent and C. C. Snowdon Ltd.'s 120 per cent.

Efforts are continuing to reduce operating and maintenance costs at the Edmonton refinery, and an anticipated improvement in market price, increasing plant efficiency and greater sales volume should result in increased profits.

MANUFACTURING: "MAJOR GAINS"

Snowdon's has successfully re-entered the Vancouver market and the addition of the Pennzoil motor oil line has given this company new strength in the market-place. Results of our custom manufacturing and packaging of specialty chemicals are encouraging, and Snowdon's prospects for continuing sales expansion look excellent.

—Barry R. Schneider, Vice-President Manufacturing

Turbo RESOURCES LIMITED

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TURBO RESOURCES LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months Ended August 31, 1972

(With comparative figures for the six months ended August 31, 1971)

(Prepared from the books without audit)

	August 31 1972	August 31 1971
SALES	$6,564,478	$3,520,970
COST OF GOODS SOLD	5,396,250	2,893,548
GROSS PROFIT	1,168,228	627,422
OPERATING EXPENSE	894,531	472,704
INCOME FROM OPERATIONS BEFORE DEPRECIATION	273,697	154,718
OTHER INCOME		14,381
INCOME BEFORE EXTRAORDINARY COSTS	273,697	169,099
EXTRAORDINARY COSTS		1,500
NET PROFIT FOR THE PERIOD BEFORE DEPRECIATION	273,697	167,599
DEPRECIATION AND AMORTIZATION	79,497	34,186
NET PROFIT FOR THE PERIOD	$ 194,200	$ 133,413
EARNINGS PER SHARE: FULLY DILUTED	5.0c	3.9c

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended August 31, 1972

(With comparative figures for the six months ended August 31, 1971)

(Prepared from the books without audit)

	August 31 1972	August 31 1971
SOURCE OF FUNDS		
OPERATIONS:		
Income for the period	$ 194,200	$ 133,413
Add: Charges not requiring the use of funds		
Depreciation and Amortization	79,497	34,186
Total	273,697	167,599
INCREASE IN LONG-TERM DEBT (NET)	143,623	302,064
1972 ISSUE OF COMMON SHARES	563,900	
1971 ISSUE OF COMMON SHARES — NET OF AMOUNTS ATTRIBUTED TO INTANGIBLE ASSETS WRITTEN OFF ($179,401)		508,599
	981,220	978,262
APPLICATION OF FUNDS:		
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT (NET)	731,856	1,017,577
DEPOSITS ON INVESTMENT PROPERTY		72,256
PURCHASE OF INVESTMENTS		45,000
ADDITIONS TO OTHER ASSETS	16,002	670
EXCESS OF COST OVER BOOK VALUE OF ACQUIRED COMPANIES	426,980	
	1,174,838	1,135,503
DECREASE IN WORKING CAPITAL FOR THE PERIOD	$ 193,618	$ 157,241

PRINTED IN CANADA

Turbo

RESOURCES LIMITED

1973

INTERIM

REPORT

6

MONTHS

ENDED

JUNE 30, 1973

Go Turbo

Turbo RESOURCES LIMITED

Directors (*) and Officers:

*V. Kenneth Travis, Calgary - Chairman of the Board
*Robert G. Brawn, P.Eng., Calgary - President
*Jack C. Donald, Red Deer - Vice-President
*John W. Killick, Calgary - Secretary-Treasurer
*John F. Moore, Calgary
*Carl O. Nickle, Calgary
*Graham D. Ross, Calgary
Barry R. Schneider, Calgary - Vice-President

Head Office:

901 - 8th Avenue S.W., Calgary, Alberta T2P 1J1

Bank:

Canadian Imperial Bank of Commerce,
Main Branch, Calgary

Auditors:

Deloitte, Haskins & Sells, Calgary

Solicitors:

Howard, Moore, Dixon, Mackie & Forsythe, Calgary
Cormie & Kennedy, Edmonton, Alberta
Beames, Chapman, Foster & McAfee, Red Deer, Alberta

Registrars and Transfer Agents:

Guaranty Trust Company of Canada
in Calgary and Toronto, Ontario

Stock Exchanges:

The Toronto Stock Exchange, Industrial Section
Calgary Stock Exchange, Industrial Section

Turbo Wholly-Owned Subsidiaries and Businesses:

- Bruinsma Bros. Holdings Ltd.
- Freeway Transport Ltd.
- Parkland Oil Products Ltd.
- Pay-N-Save Petroleums Ltd.
- Peerless Chemicals
- C. C. Snowdon Ltd.
- Stop-N-Save Petroleums Ltd.
- Turbo Chemicals Ltd.
- Turbo Refineries Ltd.
- Twin Oils Ltd.
- Velvet Oil Company

Partly Owned & Controlled Subsidiaries:

Oilex Industries Ltd.
Twin Richfield Oils Ltd.

Turbo RESOURCES LIMITED

TURBO RESOURCES LIMITED
CONSOLIDATED STATEMENT OF INCOME
For the Six Months Ended June 30, 1973

(With Figures for the Six Months Ended August 31, 1972 for Comparison)

(Unaudited)

	For Six Months Ended: June 30, 1973	August 31, 1972
SALES	**$7,715,785**	$6,564,478
Cost of Goods Sold	**6,369,740**	5,396,250
GROSS PROFIT	**1,346,045**	1,168,228
Operating Expense	**1,009,326**	894,531
INCOME FROM OPERATIONS BEFORE DEPRECIATION	**336,719**	273,697
Depreciation and Amortization	**106,699**	79,497
INCOME BEFORE EXTRAORDINARY ITEMS	**230,020**	194,200
Amortization of excess of cost of a subsidiary's shares over net book value	**10,539**	
	219,481	194,200
Extraordinary Income — Gain on Sale of Fixed Assets	**27,063**	
*NET PROFIT FOR THE PERIOD	**246,544**	194,200
EARNINGS PER SHARE FULLY DILUTED	**5.9c**	5.0c
CASH FLOW PER SHARE FULLY DILUTED	**8.7c**	7.0c

*Note: No provision has been made for income taxes as there will be no taxes payable by the company in the current year. The company will recognize deferred taxes at year end and such recognition will affect the after-tax earnings.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the Six Months Ended June 30, 1973

(With Figures for the Six Months Ended August 31, 1972 for Comparison)

(Unaudited)

	For Six Months Ended: June 30, 1973	August 31, 1972
SOURCE OF FUNDS:		
OPERATIONS:		
Income for the period	**$ 246,544**	$ 194,200
Add: Charges not requiring the use of funds:		
— Depreciation and Amortization	**106,699**	79,497
— Amortization of excess of cost of a subsidiary's shares over their net book value	**10,539**	
	363,782	273,697
Increase in long-term debt	**487,797**	143,623
Issue of common shares		563,900
	851,579	981,220
APPLICATION OF FUNDS:		
Additions to property, plant and equipment — net	**847,475**	731,856
Increase in deposits on investment property — net	**63,754**	
Additions to other assets	**2,902**	16,002
Excess of cost over book value of acquired companies		426,980
	914,131	1,174,838
DECREASE IN WORKING CAPITAL FOR THE PERIOD	**$ 62,552**	$ 193,618

Turbo RESOURCES LIMITED

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PRESIDENT'S PROGRESS REPORT

To The Shareholders:

It is with pleasure that I am able to announce the good news to Turbo Resources Limited shareholders that our company now has signed contracts which assure it an adequate supply of gasoline for the next five years.

GOOD NEWS: SUPPLY ASSURED

These contracts are for sufficient volume of gasoline and middle distillates to not only look after our present customers, but also supply our future growth requirements.

These contracts are with major Canadian refining companies, and will not be affected by the world energy shortage, and management expects now to move ahead strongly with our marketing plans.

Once again Turbo's management is most pleased to report Turbo, in the first six months of its 1973 new financial year, has continued to show outstanding growth. Sales have grown to $7,715,785 for the six months ending June 30, 1973, with a profit of $246,544. This represents a fully-diluted cash flow of 8.7c per share and an earnings of 5.9c per share before provision for deferred income taxes.

EVEN GREATER SALES ANTICIPATED

Because our fiscal year has been changed to the end of December our large seasonal summer business will now be reported in the third quarter, when we anticipate even greater gains in sales and profit.

During this first half your company spent $914,131 on property acquisitions and was able to raise $851,579 from operations and the placement of long-term debt. This resulted in a small decrease in working capital of $62,552.

Manufacturing continues to grow strongly with the ever-increasing consumer demand for our products.

Our gasoline and oil service station outlets have increased to 155 (compared to 144 at the end of 1972) in Alberta, British Columbia and Saskatchewan and our company is now registered in Ontario and Manitoba in anticipation of future expansion into these two provinces.

MORE RESERVES AND MORE WELLS

Oil and gas production and development are starting to take shape with the purchase this summer of 13,600 acres of semi-proven gas reserves in the Redwater area in conjunction with Pangaea Petroleum Limited. Turbo acquired a 56% interest in these properties.

Turbo also acquired additional producing wells in the Camrose area from Gulf Oil Canada Limited and Stockwell Oils Ltd. This will give us an additional five producing wells in this area which will increase our production substantially.

Since our last report the price of crude in Canada has increased 65c per barrel and made a number of our marginal producing properties extremely valuable.

TURBO'S PRODUCING POTENTIAL INCREASES

We have also acquired from Golden Spike Western Petroleums Limited their interest in the Joarcam Unit #1 and a gross overriding royalty in the Cessford gas field. We are confident that these additions will greatly increase the producing potential of our company.

You will be pleased to know that the annual meeting of shareholders in May overwhelmingly approved the increase in the company's capital by an additional five million dollars through the creation of 50,000 preferred shares with a par value of $100 each, giving Turbo an additional source of capital with which to make further acquisitions.

Again, all signs are **GO TURBO** for the remainder of this year and for the future.

TURBO RESOURCES LIMITED

Robert G. Brawn, P.Eng.
President

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Turbo RESOURCES LIMITED

HEAD OFFICE: 901 - 8th AVENUE S.W., CALGARY 2, ALBERTA — (403) 262-4636

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PRESS RELEASE

TURBO RESOURCES LIMITED's sales for the past 12 months increased to $19,432,199 from $11,216,181 for the previous fiscal 10 month period ended December 31, 1972. The difference in fiscal dates resulted from the change in the fiscal year end.

Gross profits show a 74.1 per cent increase for the past 12 months compared with the previous fiscal period of 10 months, it is reported by Robert G. Brawn, P. Eng., Turbo President.

Net income for the year ending December 31, 1973, was $640,190 compared with $333,400 for the 10 months ended December 31, 1972.

Earnings per share for the last fiscal year were 15.4 cents, up from 8.3 cents for 1972.

Highlights of Turbo's report follow:

	For 12 months ended Dec. 31, 1973	For 10 months ended Dec. 31, 1972
Sales	$19,432,199	$11,216,181
Gross Profit	3,423,486	1,966,084
Net Income	640,190	333,400
Earnings per share	15.4 cents	8.3 cents
Cash Flow per share	23.4 cents	11.8 cents
Current Assets	2,431,932	1,637,395
Property, Plant & Equipment, at cost	5,769,812	3,098,654

Thank you
Gerald Brawn
Assistant to the President

News release at your convenience.

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Turbo RESOURCES LIMITED

HEAD OFFICE: 901 - 8th AVENUE S.W., CALGARY 2, ALBERTA — (403) 262-4636

Turbo Resources Limited's net profit (after income taxes) totalled $296,818 for the six months ended June 30, 1974, an increase of 118 per cent over the comparative figure of $135,599 (re-stated) for the previous similar period ended June 30, 1973.

Sales for the past six months totalled $12,721,302, compared to sales of $7,715,785 during the six months ended June 30, 1973, an increase of 64 per cent.

Other highlights of Turbo's six month financial reports follow:

	June 30, 1974	June 30, 1973 (re-stated)
Earnings per share after taxes	✓ 7.1 cents	✓ 3.2 cents
Cash flow per share	16.9 cents	8.7 cents
Total funds from operations	$703,989	$363,782
Additions to oil and gas properties, net	408,240	37,613
Property, plant & equipment, net	4,727,260	4,083,920
Oil & gas properties, net	1,564,184	561,808
Total assets	$10,771,412	$7,293,666
Working capital deficiency	$ 1,085,116	$ 448,973

(a copy of the consolidated financial statement is attached)

Thank you for your interest

Robert G. Brawn
President and General Manager

TURBO RESOURCES LIMITED

CONSOLIDATED STATEMENT OF INCOME

for the Six Months Ended June 30, 1974

(with figures for the six months ended June 30, 1973)

(unaudited)

	June 30, 1974	Restated June 30, 1973
Sales	$12,721,302	$ 7,715,785
Cost of Sales	10,687,248	6,369,740
Gross Profit	2,034,054	1,346,045
Expenses:		
Operation and administration	1,199,399	893,354
Interest on debt:		
Short-term	36,228	23,839
Long-term	94,438	92,133
Amortization of excess of cost of a subsidiary's share over net book value	10,539	10,539
	1,340,604	1,019,865
Income from operations	693,450	326,180
(lc) OTHER INCOME:		
Gain on sale of fixed assets	-	27,063
Income before income taxes and depreciation	693,450	353,243
Less: Depreciation and depletion	153,782	106,699
Income before income taxes	539,668	246,544
Provision for income taxes - deferred	242,850	110,945
Net income for the period	$ 296,818	$ 135,599
Earnings per share after income taxes	7.1¢	3.2¢
Cash flow per share	16.9¢	8.7¢

TURBO RESOURCES LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Six Months Ended June 30, 1974
(with figures for the six months ended June 30, 1973)
(unaudited)

	June 30, 1974	Restated June 30, 1973
FUNDS PROVIDED:		
Net Income for the period	$ 296,818	$ 135,599
Add: Charges not requiring funds:		
Depreciation and depletion	153,782	106,699
Deferred income taxes	242,850	110,945
Amortization of excess of cost of a subsidiary's shares over their net book value	10,539	10,539
Total funds provided from operations	703,989	363,782
Increase in long-term debt	-	487,797
Decrease in deposits on investment property	13,579	-
	717,568	851,579
APPLICATION OF FUNDS:		
Additions to property, plant and equipment - net	814,675	809,862
Additions to oil and gas properties - net	408,240	37,613
Increase in deposits on investment property - net	-	63,754
Decrease in long-term debt	126,484	-
Additions to other assets	22,159	2,902
	1,371,558	914,131
Working Capital Increase (Decrease)	$ (653,990)	$ (62,552)
Working Capital (Deficiency) at the beginning of the period	$ (431,126)	$(386,421)
Working Capital (Deficiency) at the end of the period	$(1,085,116)	$(448,973)